



March 20, 2006

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Docket No. OP-1248

Regarding your current proposal regarding concentration of the commercial real estate lending, sound risk and management practices, I strongly urge you to reconsider that current proposal. The proposed guidance will hurt community banks' ability to compete with larger banks that have the wherewithal to allocate additional monitoring over a larger population of loans. Inherent in the definition of a community bank, our localized lending does not yield as diverse a portfolio as banks that are super-regionals or national in scope. However, it is important to realize that being community financial institutions, we are much more in tune with our local area. I would imagine the risk statistics bear out that the issues of the late 1980's and early 1990's largely related to large institutions and not to community banks.

The proposed guidance regarding capital ratios will have a disproportionate impact on community banks. It is important to note that community bank delinquencies and charge-offs for commercial real estate have been on a flat to downward trend over the last several years. Banks have increasingly secured loans with real estate over the last decade. The proposed guidance sends mixed signals to bankers that would yield a net result of potentially riskier lending by community banks under the newly proposed standards.

As to what should be done with the proposed regulations, I would strongly encourage the regulators to consider increasing the capital thresholds to 200% and 350% respectively. Secondly, the regulators should reconsider the proposed capital standards for community banks whereby transactions with a loan-to-value of 65% or less should be eliminated from consideration altogether.

Though well-intended, the proposed regulation would not equitably affect all FDIC chartered financial institutions. Community banking is integral to small business growth in each of our markets. It is my opinion that their current regulations as proposed would have a deleterious effect on that.

Sincerely,

Jeffrey M. Szyperski  
Chairman, President & CEO

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